COMMITTEE REPORT NO. 02 14 (2) TABLED ON MAR 2 1 2000

Northwest Territories Legislative Assembly

Standing Committee on Accountability and Oversight

Review of the 2000/2001 Interim Appropriations

Chair: Mr. Charles Dent

105-00495/

ERRATA

Northwest Territories Legislative Assembly

Standing Committee on Accountability and Oversight
Review of the 2000/2001 Interim Appropriations

Committee Report 02-14(2) Tabled on Mar. 21, 2000

Page 3:

Debt Wall

Second paragraph, text should read as follows:

Fiscal projections for 2000-2001 presented by the government indicated an increase in revenues of $5,000,000 and a decrease in expenditures of $14,000,000 for a decrease in the projected deficit from an initial $61,000,000 to $42,000,000. Most of the

Northwest Territories Legislative Assembly

March 21, 2000

SPEAKER
LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES

Mr. Speaker:

The Standing Committee on Accountability and Oversight is pleased to present its Report on the Review of the 2000/2001 Interim Appropriation.

CHARLES DENT, MLA
CHAIRPERSON

Yellowknife, Northwest Territories, Canada X1A 2L9/Fax (403) 920-4735/Telephone (403) 669-2200

14th Assembly

Legislative Assembly of the Northwest Territories

Committee Members

Chairperson

Mr. Charles Dent
MLA Frame Lake

Deputy Chairperson

Mr. David Krutko
MLA Mackenzie Delta

Mr. Brendan Bell
MLA Yellowknife South

Mr. Bill Braden
MLA Great Slave

Mr. Paul Delorey
MLA Hay River North

Mr. Leon Lafferty
MLA North Slave

Ms. Sandy Lee
MLA Range Lake

Mr. Michael McLeod
MLA Deh Cho

Mr. J. Michael Miltenberger
MLA Thebacha

Mr. Steven Nitah
MLA Tu Nedhe

Mr. Floyd Roland
MLA Inuvik Boot Lake

Staff

Clerk

Mr. Doug Schauerte

Research

Ms. Laurell Graf
Mr. Doug Pon
Ms. Shirley J. Johnson

Review of the 2000/2001 Interim Appropriations

The Standing Committee on Accountability and Oversight ____ *1*

The Legislative Assembly ____ 1
The Office of the Languages Commissioner ____ 1

Government-wide Issues ____ 2
Forced Growth ____ 2
Administration ____ 2
Tangible Capital Assets ____ 3
Debt Wall ____ 3
Affirmative Action ____ 4
Digital Communication Network – Ardicom Ltd. ____ 4
Capital Budget Adjustments ____ 4

The Standing Committee on Accountability and Oversight

The Standing Committee on Accountability and Oversight met on Saturday, March 19, 2000 to review the Interim Appropriation for the Legislative Assembly and to review issues with government-wide implications that arose in the Standing Committee of Governance and Economic Development and the Standing Committee on Social Programs.

The Legislative Assembly

The Office of the Languages Commissioner

The Committee noted that the term of the Languages Commissioner expires on 31 May 2000. This requires a timely response from the Legislative Assembly. Further noted is that the Official Languages Act is required to be reviewed in the first sitting of the Assembly in January 2001.

Government-wide Issues

Forced Growth

Members of the Accountability and Oversight Committee are concerned that there does not appear to be a standard definition of what "forced growth" actually entails. In the presentations from the Departments, it became apparent that some Departments confused forced growth with new initiatives according to the understanding of Committee Members. The Committee noted that the Government summarized that these levels of forced growth were lower than expected. However, Committee Members noticed that departments may have different requirements for different times of the year, and may present their requests for forced growth funding later in the fiscal year.

The Committee suggests that the Departments and the FMB separate forced growth from new initiatives, so that they do not appear in the same column or explanation sheet. This would help the Committee to determine whether funding is necessary because of forced growth or is a new initiative and would save the Committee questioning the Department during the review process.

> **It is recommended that FMBS develop a standard definition of "forced growth" to assist the Departments in deciding whether changes to an activity's funding is forced growth or a new initiative.**

Administration

In reviewing the activities of the Departments contained in the Interim Appropriations, Committee Members realized that each Department had a different interpretation of what activities should be included under the general heading of administration. This latitude in the definition of administration renders it impossible for the Committees to examine the true costs of administration on a government-wide basis.

In some Departments, for example, the policy section is included under the administration activity, in other Departments it is a separate activity or grouped differently with another activity.

Committee Members believe that a standardized definition of what should be included under "administration" activities must be developed and communicated to the Departments for implementation in time for the upcoming review of the Business Plans.

Tangible Capital Assets

The Government of the Northwest Territories has adopted the policy of adhering to the Public Sector Accounting Board (PSAB) recommendations on accounting for tangible capital assets.

The Committee was concerned that the proposed $500,000 in funding for the acquisition of the asset management system may most likely entail increasing costs for the government. The software is to assist government departments in the implementation of new accounting methods for tangible capital assets. Further, the Committee expressed concern that the valuation and ownership (title) process may require additional training, the recruitment of extra staff, and may take longer than the government's completion deadline of March 31, 2000. The Committee is of the concern that implementation costs may have been understated similar to costs incurred to date for the PeopleSoft program.

Further, the Committee noted that capital tangible assets valued at less than $50,000 will be included as O & M as part of the new government accounting process. Currently any significant capital expenditures including vehicles are included under capital expenditures.

Debt Wall

Committee Members reiterated that unless we narrow the gap between revenues and expenditures our debt wall would soon be met. Our current borrowing limit of $300,000,000 only has $39,000,000 remaining. Without new sources of revenues, cuts and deficits shall characterize the next few years, as evidenced by the most current fiscal projections given by government during this review exercise.

Fiscal projections presented by the government indicated an increase in revenues of $5,000,000 and a decrease in expenditures of $14,000,000 for a decrease in the projected accumulated deficit from an initial $71,000,000 to $52,000,000. Most of the cuts in expenditures came in reductions of $10,000,000 in capital spending. The Committee noted that even these levels of cuts, the Government may not be able to meet funding requirements for the upcoming fiscal year. At the very minimum, there will be less flexibility or 'wiggle room' to allow some flexibility in expenditure planning. Committee Members were concerned that inevitably, it will no longer be practical to continue cutting funding to programs, services, and capital projects without jeopardizing the safety and well-being of the residents of the Northwest Territories. Further, Committee Members were concerned growth in new revenues may be minimal at best.

Committee Members suggested that with continued growth in the resource sector, primarily diamonds, and oil and gas, our share of resource revenues and an increase to the tax window may offer the best hope for increasing our revenues.

Affirmative Action

The Committee expressed concern that the Government of the NWT public service was not representative of the population it serves.

> **The Department of Executive has been asked to supply the latest Affirmative Action statistics for the Government of the Northwest Territories.**

Digital Communication Network – Ardicom Ltd.

The Government of the Northwest Territories has invested significant fiscal resources in the development of the Digital Communications Network. There is grave concern that the Digital Communication Network is not meeting the needs of the Government. The lack of bandwith is impacting on the ability of the Department of Health and Social Services to implement its Telehealth program. This is also a problem with the Department of Education Culture and Employment and their ability to deliver distance education programs.

The Committee strongly encourages the Department of Health and Social Services, the Department of Education, Culture and Employment and the Financial Management Board to resolve the outstanding bandwith issues with Ardicom and the Digital Communication Network and looks forward to positive resolution of the issue.

Capital Budget Adjustments

The Committee noted that funding for some capital projects reported in the proposed Interim Appropriation differed significantly with funding levels described in the 2000-2001 Five Year Capital Plan. A list of capital projects that had funding discrepancies was forwarded to their respective departments for further explanation.

On Monday, March 20, 2000, Committee research staff received a capital budget adjustments document from the government explaining some of the discrepancies found. However the lack of timeliness prohibited these discrepancies from being properly addressed in Committee which met from March 16 to March 18 with government to discuss the proposed appropriation.

Further, Committee research staff did not receive the 2000-2001 Five Year Capital Plan until the afternoon of March 15, the day prior to start of Committee review of the proposed appropriation. Until that time, the research staff were dependent upon the 1999-2000 Five-Year Capital Plan for capital funding comparisons.

The Committee would prefer to receive future information in a more consistent reporting format from all departments. Additionally, Committee Members would like a more timely flow of information. The Committee requested but still has not received information that is considered crucial to their review of the Interim Appropriations in Committee of the Whole.